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MONTANA MEDICAL LEGAL PANEL  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 1994 AND 1993

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**MONTANA MEDICAL LEGAL PANEL  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 1994 AND 1993**



STATE OF MONTANA

Office of the Legislative Auditor



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JIM PELLEGRINI  
Performance Audit

LEGISLATIVE AUDITOR:  
SCOTT A. SEACAT

LEGAL COUNSEL:  
JOHN W. NORTHEY

July 1995

The Legislative Audit Committee  
of the Montana State Legislature:

Enclosed is the report on the audit of the Montana Medical-Legal Panel, Montana Supreme Court, for the year ended December 31, 1994.

The audit was conducted by Henry Fenton, Certified Public Accountant, under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat".

Scott A. Seacat  
Legislative Auditor



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**MONTANA MEDICAL LEGAL PANEL**

**ADMINISTRATIVE OFFICIALS**

G. Brian Zins

Director

Lavonne J. Arnold

Assistant Director



**Montana Medical Legal Panel  
December 31, 1994  
Summary of Recommendations**

**There were no recommendations for the year ended December 31, 1994.**



HENRY FENTON  
CERTIFIED PUBLIC ACCOUNTANT

1052 NORTH RODNEY  
HELENA, MT 59601

PHONE: 449-6049

INDEPENDENT AUDITOR'S REPORT

July 21, 1995

Mr. G. Brian Zins, Director  
Montana Medical Legal Panel  
2021 Eleventh Avenue  
Helena, Mt. 59601

I have audited the accompanying statement of assets, liabilities, and surplus arising from cash transactions of the Montana Medical Legal Panel as of December 31, 1994 and 1993, and the related statement of revenues collected, expenses paid, and changes in surplus arising from cash transactions for the two years then ended. These financial statements are the responsibility of the management of the Montana Medical Legal Panel. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Montana Medical Legal Panel's policy is to prepare its financial statements on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.



In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and surplus arising from cash transactions of the Montana Medical Legal Panel as of December 31, 1994 and 1993 and its revenues collected, expenses paid, and changes in surplus for the two years then ended, on the basis of accounting described in Note 1.

*Henry Fenton*  
Henry Fenton  
Certified Public Accountant



MONTANA MEDICAL LEGAL PANEL  
STATEMENT OF ASSETS, LIABILITIES, AND SURPLUS  
ARISING FROM CASH TRANSACTIONS  
DECEMBER 31, 1994 AND 1993

ASSETS

	1994	1993
Current assets:		
Cash in bank	\$54,180	\$78,656
Total current assets	\$54,180	\$78,656

LIABILITIES AND SURPLUS

Surplus	\$54,180	\$78,656

See accompanying notes to financial statements.



**MONTANA MEDICAL LEGAL PANEL  
STATEMENT OF REVENUES COLLECTED, EXPENSES PAID, AND CHANGES IN SURPLUS  
ARISING FROM CASH TRANSACTIONS  
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1993**

	<b>1994</b>	<b>1993</b>
<b>Income:</b>		
Assessment fees	\$370,584	\$317,989
Interest income	4,759	4,812
Miscellaneous income	221	815
<b>Total income</b>	<b>375,564</b>	<b>323,616</b>
<b>Expenses:</b>		
Administrative	142,284	146,982
Panelist hearing time	93,324	67,086
Panelist preparation and travel time	39,026	31,333
Panelist travel	42,608	36,354
Records reproduction	20,671	23,849
Postage	11,388	10,123
Medical records and x-rays	8,388	7,270
Telephone	10,374	5,677
Office supplies	2,392	2,114
Panel legal counsel	11,808	1,782
Legal defense	5,277	-
Computer software	1,591	1,373
Miscellaneous	10,909	8,156
<b>Total expenses</b>	<b>400,040</b>	<b>342,099</b>
<b>Net income (loss)</b>	<b>(24,476)</b>	<b>(18,483)</b>
<b>Surplus, January 1st</b>	<b>78,656</b>	<b>97,139</b>
<b>Surplus, December 31st</b>	<b>\$54,180</b>	<b>\$78,656</b>

See accompanying notes to financial statements.



MONTANA MEDICAL LEGAL PANEL  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1994 AND 1993

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The Panel was established by the "Montana Medical Legal Panel Act", as authorized by Section 27-6-101 and 104 M.C.A. The Panel is attached to the Montana Supreme Court for administrative purposes only, except that 2-15-121 (2) M.C.A. does not apply.

The Panel was created to review all malpractice claims or potential claims against health care providers for the purpose of preventing, where possible, the filing of court actions against health care providers and their employees for professional liability in situations where the facts do not permit at least a reasonable inference of malpractice and to make possible the fair and equitable disposition of such claims against health care providers as are or reasonably may be well founded.

Cash Basis

The Panel follows the cash basis of accounting whereby items of expense are recognized as cash is paid and revenues are recognized when cash is received.

Assessment Fees

Annual assessments are levied against licensed physicians, dentists, hospitals, and other health care facilities in an amount sufficient to meet all panel costs. Annual assessments are apportioned among each group of health care providers according to the number of claims brought against each type of provider.

NOTE 2. RELATED PARTIES

G. Brian Zins is director of both the Montana Medical Association and the Montana Medical Legal Panel.

The Montana Medical Association bills the Montana Medical Legal Panel for services and facilities provided to that organization. The billings were \$142,284 and \$146,982 for 1994 and 1993, respectively.



MONTANA MEDICAL LEGAL PANEL  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1994 AND 1993

NOTE 3. CONTINGENCY

The Montana Medical Legal Panel has been named in a lawsuit claiming damages resulting from a decision of a review panel in a claim against a health care provider brought before the Panel. Management believes that the outcome of the suit will be favorable and will not result in a significant loss to the Panel. However, the Panel has incurred legal costs in answering the charges in the lawsuit and will continue to incur such costs until the case is either settled or dismissed. The total amount of such costs that will be incurred cannot be determined or estimated.



HENRY FENTON  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
LAWS AND REGULATIONS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

July 21, 1995

Mr. G. Brian Zins  
Montana Medical Legal Panel  
2021 Eleventh Avenue  
Helena, Mt. 59601

I have audited the financial statements of the Montana Medical Legal Panel as of and for the year ended December 31, 1994, and have issued my report thereon dated July 21, 1995.

I conducted my audit in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Montana Medical Legal Panel is the responsibility of the Montana Medical Legal Panel's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Montana Medical Legal Panel's compliance with certain provisions of laws and regulations. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests indicate that, with respect to the items tested, the Montana Medical Legal Panel complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that the Montana Medical Legal Panel had not complied, in all material respects, with those provisions.



This report is intended for the information of the legislative audit committee and management. However, this report is a matter of public record and its distribution is not limited.

*Henry Fenton*

Henry Fenton

Certified Public Accountant



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INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

July 21, 1995

Mr. G. Brian Zins  
Montana Medical Legal Panel  
2021 Eleventh Avenue  
Helena, Mt. 59601

I have audited the financial statements of the Montana Medical Legal Panel as of and for the year ended December 31, 1994, and have issued my report thereon dated July 21, 1995.

I have conducted my audit in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements of the Montana Medical Legal Panel for the year ended December 31, 1994, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Montana Medical Legal Panel is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the basis of accounting



adopted by management. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls

Cash balances  
Cash receipts  
Cash disbursements

Compliance with Laws

Assessments

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be a material weakness as defined above.

Status of Prior Year Findings

Prior year Recommendation:

Require a second individual to sign checks and/or have a second individual review bank reconciliations and cancelled checks.

Status;

Agency has adopted a policy requiring both a second signature on checks and a review of bank reconciliations. During the current audit I noted that the second signature is placed on the checks by means of a signature stamp. This procedure is acceptable as long as access to the signature stamp is restricted.



This report is intended for the information of the legislative audit committee and management. However, this report is a matter of public record and its distribution is not limited.

*Henry Fenton*

Henry Fenton  
Certified Public Accountant



# Montana Medical Legal Panel

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July 24, 1995  
Monday

Mr. Scott A. Seacat  
Legislative Auditor  
P.O. Box 201705  
Helena, Montana 59620-0175

Dear Mr. Seacat:

As Director of the Montana Medical Legal Panel, I am corresponding with you about the recently completed audit of the Panel by Henry Fenton, C.P.A.

We have reviewed the audit and believe it accurately represents the financial records of the Panel for the 1994 fiscal year.

All best wishes.

Sincerely,



G. Brian Zins  
Director

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